

Message Text

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ACTION ARA-10

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E.O. 11652: N/A
TAGS: BENC, ENRG, VE
SUBJECT: MAJOR PROJECT: PETROLEUM REFINERIES

REF: (A) STATE 15659; (B) STATE 25707

1. SUMMARY: PETROVEN WILL INVEST APPROXIMATELY \$800 MILLION DURING THE NEXT THREE-TO-FIVE YEARS ON REFINERY UPGRADING PROJECTS. A VERY LARGE SHARE OF THE CONTRACTS FOR DESIGN ENGINEERING AND CONSTRUCTION SERVICES FOR THAT WORK IS EXPECTED TO BE PROVIDED BY U.S. FIRMS AS A RESULT OF PETROVEN'S PURCHASING TECHNIQUES AND PREFERENCES. END SUMMARY.

2. MR. ANGEL BEHREND, COORDINATOR FOR REFINERIES AT PETROVEN, INFORMED EMBOFFS THAT TWO NEW REFINERY UPGRADING PROJECTS HAD BEEN APPROVED RECENTLY BY TOP MANAGEMENT AT PETROVEN. A THIRD REFINERY UPGRADING PROJECT IS EXPECTED TO BE APPROVED IN JUNE OR JULY 1977.

3. THE FIRST OF THE APPROVED PROJECTS WILL CONSIST OF THE ADDITION OF A CATALYTIC CRACKER AT THE MARAVEN REFINERY AT CARDON. THAT PROJECT IS EXPECTED TO COST
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APPROXIMATELY \$25 MILLION. MR. BEHREND STATED THAT AT A LATER DATE A DEMETALIZATION PLANT AND A BTX PLANT WOULD BE CONSTRUCTED NEAR THE MARAVEN REFINERY. THE PLAN FOR THE DEMETALIZATION PLANT IS NEW. THE PLAN FOR THE BTX PLANT WAS ORIGINALLY CONTAINED IN CONIP'S MULTIBILLION DOLLAR PETROCHEMICAL PLAN WHICH IS NOW REPORTEDLY UNDERGOING THOROUGH REVISION. ACCORDING TO MR. BEHREND,

THE BTX PLANT WILL BE OPERATED BY MARAVEN PERSONNEL AND WILL PRODUCE ONLY ENOUGH BENZENE, TOULENE, AND XYLENE FOR THE NATIONAL MARKET.

4. THE SECOND PROJECT CONSISTS OF THE ADDITION OF A VACUUM UNIT, CATALYTIC CRACKER, AND ALKALIZER AT THE EL PALITO REFINERY. THE COST OF THIS PROJECT IS ESTIMATED AT \$200 MILLION.

5. THE THIRD PROJECT, WHICH IS EXPECTED TO BE APPROVED IN JUNE OR JULY 1977 IS THE UPGRADING OF THE LAGOVEN REFINERY AT AMUAY. MR. BEHREND'S STATED THAT THAT PLAN IS IN THE PROJECT DEFINITION STAGE AT PRESENT. THE AMUAY PROJECT WILL CONSIST OF THE ADDITION OF A 45,000 B/D COKER, A 50,000-TO-60,000 B/D CATALYTIC CRACKER, A 10,000 B/D ALKALIZER, AND AN LPG RECOVERY UNIT, THE SIZE OF WHICH HAS NOT YET BEEN DETERMINED. THIS WORK IS EXPECTED TO COST BETWEEN \$500 MILLION AND \$600 MILLION.

6. PETROVEN'S PROCUREMENT PRACTICES: MR. BEHREND'S STATED THAT PETROVEN DOES NOT USE A PUBLIC BIDDING PROCESS WHEN IT SEEKS THE SERVICES OF DESIGN ENGINEERING AND CONSTRUCTION FIRMS FOR LARGE PROJECTS SUCH AS THOSE MENTIONED IN PARAS 3, 4, AND 5. RATHER, IT INVITES REPRESENTATIVES FROM THE WORLD'S LEADING PETROLEUM REFINERY DESIGN ENGINEERING COMPANIES AND PETROLEUM REFINERY CONSTRUCTION COMPANIES (WHICH MR. BEHREND'S SAID WERE FROM THE U.S. 95 PERCENT OF THE TIME) LIMITED OFFICIAL USE

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TO COME TO VENEZUELA TO STUDY PETROVEN'S REQUIREMENTS AND THEN TO OFFER PROPOSALS REGARDING THE REALIZATION OF THE PROJECTS. PETROVEN PERSONNEL THEN STUDY THE PROPOSALS AND SELECT THE ONE MOST "CONVENIENT" FOR THEIR COMPANY. MR. BEHREND'S STATED THAT U.S. SUPPLIERS OF THE ABOVE MENTIONED SERVICES ENJOYED A VERY STRONG POSITION IN THE VENEZUELAN MARKET BECAUSE OF THE EXTENSIVE EXPERIENCE MANY PETROVEN OFFICIALS HAD WITH U.S.-OWNED OIL COMPANIES AS WELL AS THE FACT THAT MANY PETROVEN ENGINEERS ARE QUITE FAMILIAR WITH AMERICAN SPECIFICATIONS, EQUIPMENT, AND, OF COURSE, THE ENGLISH LANGUAGE.

7. MR. BEHREND'S THANKED EMBOFFS FOR THEIR OFFER TO INFORM OTHER U.S. ENGINEERING AND CONSTRUCTION FIRMS OF PETROVEN'S PLANS. HOWEVER, HE THOUGHT THAT SUCH PUBLICITY WOULD BE PREJUDICIAL TO THE U.S. COMPANIES THAT RECEIVED SUCH INFORMATION INASMUCH AS PETROVEN KNOWS WHICH COMPANIES IT WANTS TO BID ON ANY GIVEN PROJECT AND

WOULD PREFER NOT TO BE BOMBARDED BY OFFERS FROM OTHER FIRMS. MR. BEHREND'S EMPHASIZED THAT PETROVEN WAS ONLY INTERESTED IN DEALING WITH LARGE, REPUTABLE COMPANIES WHICH HAD ALREADY MANIFESTED THEIR DESIGN, CONSTRUCTION, AND TECHNOLOGICAL EXPERTISE IN THE VENEZUELAN PETROLEUM INDUSTRY.

8. MR. BEHREND'S MENTIONED A GAS PLANT (PRESUMABLY THE SAME ONE MENTIONED IN REF A) WHICH HE SAID PETROVEN WAS GOING TO BUILD NEAR PUERTO LA CRUZ AS AN EXAMPLE OF THE WAY IN WHICH PETROVEN SOUGHT DESIGN ENGINEERING AND TECHNOLOGY. HE SAID THAT PETROVEN CONTACTED SEVERAL U.S. ENGINEERING FIRMS (HE MENTIONED FOSTER-WHEELER, PARSONS, BECHTEL, AND FLUOR) AND INVITED THEM TO COME TO VENEZUELA TO STUDY PETROVEN'S PLANS FOR THE GAS PLANT AND TO MAKE PROPOSALS FOR THE DESIGN AND CONSTRUCTION OF THAT LIMITED OFFICIAL USE

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FACILITY.

9. COMMENT: THIS MESSAGE HAS BEEN CLASSIFIED BECAUSE POST DOES NOT WANT CANDID OBSERVATIONS OF MR. BEHREND'S TO BECOME COMMON KNOWLEDGE IN VENEZUELA, AND DESIRES TO RESPECT HIS VIEWS REGARDING PUBLICITY IN THE US AS EXPRESSED IN PARA SEVEN.
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